MR. R. NILAKANTA PILLAI (*Financial Secretary to Government*): Sir, I rise to present the Budget Estimates for 1108. Before proceeding to review the financial position for the current and ensuing years, I shall, as usual, explain briefly the results of the last financial year.

ACTUALS OF 1106.

2. The final audited figures of ordinary revenue and expenditure charged to revenue for the year 1106 stood at Rs. 227·18 lakhs and Rs. 239·41 lakhs, respectively, against the revised estimates of Rs. 233·18 lakhs and Rs. 240·65 lakhs. The year thus closed with a revenue deficit of Rs. 12·23 lakhs as against a deficit of Rs. 7·47 lakhs anticipated in the revised estimates. The increase of Rs. 4·76 lakhs in deficit was due to the fall in revenue to the extent of Rs. 6 lakhs and to a less expenditure of Rs. 1·24 lakhs, as compared with the revised estimates. The decrease in revenue was mostly under Excise (1·89), Customs (·82), Forest (1·00), Stamps (1·22) and Registration (·57) brought about mainly by the economic depression. The fall in Customs revenue was also due to the reduction, from the 5th Karkatakam 1106, of the tariff values, for purposes of levy of export duty, on our more important articles of export. On the expenditure side, the net variation was a decrease of about Rs. 1¼ lakhs in an expenditure of Rs. 239·41 lakhs. The receipts from the sale proceeds of the Government lands and the capital expenditure not charged to revenue amounted to Rs. 2·58 lakhs and Rs. 14·43 lakhs, respectively, as against the revised estimates of Rs. 3·25 lakhs and Rs. 16·60 lakhs. The Government closing balance which was expected to stand at Rs. 144·75 lakhs, was thus reduced to Rs. 141·49 lakhs at the close of the year.

REVISED ESTIMATES FOR 1107.

3. While framing the budget in Mithunam 1106, we expected to realise a total revenue of Rs. 232·19 lakhs and programmed for an expenditure of Rs. 231·65 lakhs, leaving a nominal surplus of Rs. 0·54 of a lakh. But in view of the heavy fall in revenue realisations of 1106, the actuals of which were known only in the early part of the current year, the original estimates under all the revenue and service heads were scrutinised early this year and reductions to the extent of Rs. 6·43 lakhs were effected under travelling allowances, works and contingencies. It was however felt that the reduction thus effected was not sufficient, and that it was essential that the expenditure should be kept within limits, to the extent possible. A committee of officials and non-officials was therefore appointed to investigate the means of retrenchment, both permanent and temporary, in the expenditure of the State, and after an examination of all possible economics, with a view to stabilising the financial position, to make specific recommendations for reducing expenditure, with due regard to the needs of efficient administration. The committee commenced sittings on the 9th Tulam 1107 and their final report is expected shortly. But, as soon as they completed their discussions on any particular department or on any general question affecting

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the expenditure of the State, they have been submitting to the Government, in the shape of preliminary notes, their recommendations on the retrenchments that might be given effect to immediately, and proposals for retrenchments in expenditure to the extent of Rs. 9·88 lakhs have so far been received. They are :—

	Rs. (in lakhs)
(*a*) Reduction in establishment charges ...	2·55
(*b*) Reduction in the rates of hill allowances in the Devicolam Division ...	·29
(*c*) Reduction in the rates and abolition of certain local and house rent allowances ...	·45
(*d*) Reduction in the rates of permanent travelling and conveyance allowances ...	·27
(*e*) Reduction in the rates of grants to aided primary schools consequent on the levy of fees in vernacular primary schools ...	2·41
(*f*) Abolition of stipends and the temporary abolition of some of the scholarships granted by the Education Department ...	·80
(*g*) Reduction of the allotments under travelling allowances and contingencies ...	·61
(*h*) Temporay reduction in the salaries of all the Government servants whose salary or leave allowance is not less than Rs. 40 per mensem ...	2·50
Total ...	9·88

(*a*) *Reduction in establishment charges.*—Proposals to the extent of Rs. 1·14 lakhs under this item have already been accepted by the Government and those to the extent of Rs. ·68 of a lakh dropped. The remaining proposals are under consideration.

(*b*) *Reduction in the rates of hill allowance in the Devicolam Division.*—The proposals under this head have been accepted by the Government *in toto*.

(*c*) *Reduction in the rates and abolition of certain local and house rent allowances.*—Proposals to the extent of Rs. ·34 of a lakh have been accepted by the Government and those to the extent of Rs. ·05 of a lakh dropped. The rest of the proposals are under consideration.

(*d*) *Reduction in the rates of permanent travelling and conveyance allowances.*—Under this item, proposals to the extent of Rs ·26 of a lakh have been accepted and the rest dropped.

(*e*) *Reduction in the rates of grants to aided primary schools consequent on the levy of fees in vernacular primary schools.*—The official members of the committee considered that in view of the increasing annual expenditure on primary education, the levy of a small fee in primary schools would not be unfair. They accordingly recommended the levy of a fee of chackrams 3 per boy pupil and chackrams 2½ per

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girl pupil in all the primary school classes of departmental schools and a reduction in the rates of grants-in-aid paid to aided schools by allowing such levy of fees in aided schools also. It was estimated that the levy of fees in departmental schools would bring in an additional revenue of Rs. 1·58 lakhs per annum, even if one-third of the number of pupils were exempted on grounds of poverty, backwardness, etc., and that the proposed reduction in the rates of grants-in-aid would result in a saving of about Rs. 2·41 lakhs per annum. As an alternative proposal, in case the proposed levy of fees was considered not feasible, the official members also recommended, the levy of a general education cess in the State, as was suggested by the Education Expenditure Committee appointed in 1919. The non-official members were not, however, agreeable to these proposals and they were ultimately dropped by the Government.

(*f*) *Abolition of stipends and the temporary abolition of some of the scholarships granted by the Education Department.* The proposal for the suspension of the award of scholarships has been dropped by the Government and that regarding stipends is still under consideration.

(*g*) *Reduction of the allotments under travelling allowances and contingencies.*—Under this head, proposals to the extent of Rs. ·41 of a lakh have been accepted by the Government and those to the extent Rs. ·14 of a lakh dropped. The remaining proposals are under consideration.

(*h*) *Temporary reduction in salaries.*—The proposal is engaging the attention of the Government.

To sum up, of the total proposals to the extent of Rs. 9·88 lakhs so far received by the Government, those to the extent of Rs. 2·44 lakhs have already been accepted. Proposals to the extent of Rs. 3·29 lakhs including reduction in grants-in-aid to vernacular schools have been dropped and the remaining proposals to the extent of Rs. 4·15 lakhs are under the consideration of the Government.

The effect of the reduction in expenditure suggested by the committee and accepted by the Government is reflected in the revised figures for the current year and the budget estimates for the ensuing year under almost all the heads.

4. According to the forecast placed before you this time last year, the current year was expected to close with a small surplus of Rs. ·54 of a lakh. Judging from the figures so far available, the actual position is that the revenue is expected to fall short of the budget estimates by Rs. 16·77 lakhs, while the saving in expenditure is expected to be only Rs. 10·23 lakhs. The revenue account of the year is thus expected to close with a deficit of Rs. 6 lakhs. The fall in revenue is expected mainly under Land Revenue (1·04), Excise (2·47), Customs (7·40), Forest (3·07), Stamps (2·49), Registration (1·42), Interest (1·20) and Railways (1·24). Under Land Revenue, the expected fall is under Ayacut and Arrears, due to the fact that the collection of arrears has not come up to the budget anticipation. It is also due to the further reduction in the commutation rate of paddy rent of the Ambalapuzha Kandukrishi Pattom wet lands from Chs. 18 to Chs. 15 per *para* of paddy

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in the cases of those tenants who pay up the tax before the close of the current year. Excise revenue is expected to be less by Rs. 2·47 lakhs. This is the net result of an increased revenue of Rs. 1·55 lakhs under Tobacco, due to the enhancement of duty on Jaffna tobacco from Bh. Rs. 110 to Bh. Rs 135 and Coimbatore and Tinnevelly tobacco from Bh. Rs 100 to Bh. Rs 120 per candy with effect from the 1st Dhanu 1107, and a decrease of Rs. 4·02 lakhs under Abkari and Opium due mainly to the fall in consumption. Under Customs, the anticipated fall is Rs. 7·40 lakhs. The fall is mainly due to the tariff reduction having its full effect in the current year and to less exports of coir, copra, cocoanut oil, pepper and dried ginger due to less production and the uncertain condition of the foreign markets. Forest revenue is expected to be less by Rs. 3·07 lakhs due to the general dulness of the timber market. The revenue from Stamps and Registration is expected to be less than the budget by Rs. 2·49 lakhs and Rs. 1·42 lakhs, respectively, due to the general economic depression. Under Interest, the fall is due to less receipts from current deposits in the bank and from temporary investments. The receipts under Interest on Government of India Securities are also expected to be less by Rs. ·47 of a lakh due to the transfer of a portion of the securities held under Surplus Investments to Sinking Fund Investment. The net receipts from the Shencotta – Trivandrum Railway for the year ended March 1932 resulted in a loss of Rs. ·74 of a lakh as against a profit of Rs. ·26 of a lakh for the previous year, due mainly to less receipts from goods-traffic on account of the general trade depression. The gross receipts under Railway at present are not sufficient to meet the working expenses and the interest on the capital advanced for the construction of the railway.

Increases are, however, expected under Salt (2·28), Currency and Mint (1·21) and Buildings, Communications and Miscellaneous Public Improvements (1·44). The increase under Salt is due to the raising of the duty on salt from Bh. Re 1-4-0 to Bh. Re 1-9-0 per maund with effect from the 30th September 1931 corresponding to the increase of duty in British India. The revenue of Rs. 1·21 lakhs under Currency and Mint represents the gain on Sirkar small silver coins of the face value of Rs. 2 lakhs obtained from the Birmingham Mint during the year to replenish the low balance of these coins in treasuries. The increase under Buildings, Communications, etc., is due to the receipt of Bh. Rs. 2,72,000 from the Government of India on account of our share of the excise duty on petrol for the period ended September 1930.

5. On the expenditure side, a net saving of Rs. 10·23 lakhs is expected, of which Rs. 2·83 lakhs is under Public Works, Rs. 2·23 lakhs under Army, Rs. ·92 of a lakh under Forest, Rs. 2·06 lakhs under Education and Rs. 1·58 lakhs under Contribution to the Devaswom Fund. The saving under Public Works is due to the postponement of some of the works which were not of a very urgent nature. Under Army, a saving of Rs. 2·23 lakhs is expected due to lapse of budget grant and reduction in expenditure. The decrease under Forest is mainly under Conservancy and Works. The Education expenditure is expected to be less by Rs. 2·06

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lakhs due mainly to the retrenchment of expenditure in the department especially under travelling Allowances and Contingencies (·83 of a lakh) and also to the expected savings under Salaries and Establishment (·78 of a lakh) and Miscellaneous (·45 of a lakh).

Contribution to the Devaswom Fund.

6. In pursuance of the Government Press Communique issued under date the 17th April 1922, along with the Devaswom Proclamation of the same date, a sum of Rs. 16 lakhs was being paid annually to the Devaswom Fund from the year 1098. As stated in the Press Communique this amount was fixed on the basis of the average annual income derived from the landed properties of the Devaswom for the five years commencing from 987 M. E., the date of their assumption by the Government, calculated at Chs. 27 per *para* of paddy which was the average cash value prevailing at the time of the issue of the Proclamation. The price of paddy has since gone down considerably and the contribution of Rs. 16 lakhs now being paid to the Devaswom Fund is also in excess of the 40 per cent. of the State's Ayacut and Sanchayam land revenue from year to year as fixed in the Proclamation. In these circumstances, the annual contribution to the Devaswom Fund has been revised and fixed at 40 per cent. of the actual Ayacut and Sanchayam land revenue of the State from 1107 onwards instead of the fixed contribution of Rs. 16 lakhs. This accounts for the decrease of Rs. 1·58 lakhs under Contribution to the Devaswom Fund.

7. On the capital side, the receipts from the sale of the Government lands are expected to be only Rs. 1·50 lakhs against the budgeted receipt of Rs. 4 lakhs while the capital expenditure stands revised at Rs. 19·02 lakhs. In the result, a net deficit of Rs. 23·52 lakhs is expected at the close of the year, as against the anticipated deficit of Rs. 13·80 lakhs. The Government balance at the close of the year will thus stand at Rs. 117·97 lakhs.

BUDGET ESTIMATES FOR 1108.

8. I shall now pass on to the budget of the coming year. The revenue is estimated at Rs. 223·19 lakhs and an expenditure of Rs. 222·04 lakhs is provided for, thus leaving a surplus of Rs. 1·15 lakhs. Sale proceeds of Government lands are expected to bring in Rs. 2·00 lakhs and our programme of Capital Expenditure is estimated at Rs. 18·93 lakhs. We shall thus be drawing from our accumulated surplus of previous years Rs. 15·78 lakhs for our capital undertakings.

Revenue.

9. The prospect of an early restoration of normal conditions does not seem very bright and it is not therefore safe to expect any material improvement in revenue over the level of the revised estimates. The estimates under all the important heads of revenue are mainly based on the revised estimates for the current year after making due allowance for ascertained factors. The budgeted revenue for the next year is Rs. 223·19 lakhs as against the current year's revised estimate of Rs. 215·42 lakhs. The betterment of Rs. 7·77 lakhs over our expectations this year is the net result of an improvement in revenue to

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